

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

February 24, 2004

5:15 PM

Chairman Smith called the meeting to order.

The Clerk called the roll.

Present: Aldermen Smith, Guinta (arrived late, Osborne, Shea

Absent: Alderman Thibault

Messrs.: Aldermen Roy and DeVries
School Committee Member Donovan, Bill Sanders, Kevin
Clougherty, Kevin Buckley, Frank Thomas, Sharon Wickens,
Deputy Police Chief Simmons, Steve Hoeft, Tom Nichols

Chairman Smith addressed item 3 of the agenda:

3. Communication from the Board of School Committee recommending the establishment of five (5) Expendable Trusts.

Alderman Osborne moved for discussion. Alderman Shea duly seconded the motion. There being none opposed, the motion carried.

School Committee Member Donovan introduced Mr. Bill Sanders the School District's Business Administrator. We chatted, I believe, in December in front of a former version of this committee and now we're pleased to be in front of the committee under the Chairmanship of Alderman Smith. A little bit of history here...we had passed a proposed Expendable Trust Resolution last...a year ago in the fall, the fall of 2002 and we sent it over here to the Board of Mayor and Aldermen and for a variety of reasons it got delayed and wasn't acted on, so we decided that we would take another look at it, review it with our new business administrator and bring it back for your consideration. So, on our December 8th Board meeting we approved a new Expendable Trust Resolution which we sent over here and that's how it was referred to this committee and here we are today. Briefly, Expendable Trusts are the mechanism that is recognized under New Hampshire law for rainy day funds, if you will for School Districts. They are much more restricted than rainy day funds are for cities and towns. They are what are referred to by some of our surrounding towns all of which have them as leaky

roof funds or similar mechanisms. They are for a specific purpose and their goal is to ease the ups and downs of expenditures in certain narrow areas and we know that because we self-insure largely for things like health insurance and because our special education costs vary up and down we felt and are auditor I believe now for three years in a row has put as a management item in his report that it is important that we establish Expendable Trust Funds so that we have some cushion in case we have years where things like our health expenditure costs or our special education costs, etc. go out of control. So, with that in mind, we passed a resolution for five (5) separate funds because as I mentioned...and for schools we can't have a general rainy day fund, it has to be for specific purposes...so, we set it up for health, special education, facility maintenance and repair, our capital reserve and athletic equipment. Our proposal is that once these are established they would be funded at some level so that eventually we would have as much as a million dollars total in the fund. Mr. Sanders can correct me if I'm wrong but I believe the recommendation of our auditor was that for health and special education alone we have \$500,000 in each account. We're not proposing that we're going to get their overnight, we're suggesting that that is going to be a building process over time, but that will mean that if there is a year where we have a lot of claims for our health insurance of our employees and it would involve payment of a substantial amount of money that we wouldn't have to make choices between paying the health bills and buying textbooks or supplies. We want to get out of that business and behaving frankly more as a responsible governmental unit so that we have reserve funds that we can tap when necessary. If you will, we're an organization that has a checking account and we can write checks during the year, but we have no savings account. So, if something unexpected happens we have no place to go other than to not spend money in certain areas to cover those other areas. Expendable Trusts is the mechanism...our information from our auditor is that's how it goes. What we're hoping and we would like input from this committee as to your views and my suggestion would be, with all respect, that perhaps it be passed from here onto the full Board with the idea that the suggestions that you may get reflected in some type of a resolution that this Board would feel comfortable with perhaps the administration here could create some document that this Board would feel comfortable with and whatever you feel comfortable with would get passed and I suppose what would happen is it would come back to the Board of School Committee if we feel comfortable accepting that. But, we're open to your suggestions today. Thank you.

Alderman Shea stated I am going to ask Kevin a question if I may. Kevin, my question is assuming...for the sake of discussion...that the School Department has a surplus are they allowed to apply such a surplus to Expendable Trust Funds or would they be allowed?

Mr. Clougherty replied I think those are the ground rules that you're setting up. Just as on our side of the budget we've set up provisions so if there's a fund balance it goes into the rainy day and health insurance funds...they're asking to set up that same type of a procedure on their side. Right now, they have no funds to deposit. So, I believe if these are established they're looking for some guidance in terms of how you would like to see them administered. The last time they were here and I'll agree with what Mr. Donovan said the auditors on the School Board side and the City side have both recommended this for years so that there would be some type of a shock absorber over on their side of the budget in bad times. Not only have they recommended it as part of the ruling that was agreed to by both parties as part of the school settlement...it was included there as something that was important. So, I think they're bringing it forward is good, I see them kind of caught in a Catch 22 procedurally because if this Board said go back and change the documents and they went back to their Board, their Board would say well, we don't want to change them until we talk to the full Board of Aldermen, so I think his recommendation has some merit and my suggestion to the Board would be to take...we had some pretty good discussion on this subject the last time and there was some good recommendations in the December minutes about what you thought some of the issues were related to these in terms of majority votes, timing, caps and things like that. My suggestion would be that you refer the item to the budget because after all it comes down to are you going to appropriate money for these or not. So, if you refer it to the budget with the understanding that the Mayor would draft the resolutions incorporating the changes or the suggestions that you have made in your December meeting then at least it gets to the full Board level and everybody can look at a new working document that everybody can reference.

Alderman Shea stated what you're indicating is that if this committee were to accept in principle the fact that there should be Expendable Trust funds that's one. The second is as a result of that then the Mayor would have that particular prerogative to do that, is that necessary?

Mr. Clougherty replied the Mayor alone can't set these up, the full Board has to.

Alderman Shea stated so the full Board accepts this, it's a matter...and I think where there's a little bit of "fly in the ointment"...is how are we going to go about doing this. Is it going to be a budgetary item which the Mayor would include in his budget or would it be another type of possible funding as a result of any kind of savings surplus or whatever that the School Department were willing to do during that fiscal year, is that correct?

Mr. Clougherty stated if you want to accomplish what they're asking and that is set up these funds and make an appropriation as part of next year's budget for the

dollars to go into them to get started. Then the appropriate path and I talked to Carol in the City Clerk's about this this afternoon and she agreed that the appropriate path would be to refer the item to the budget and with a message asking the Mayor to develop the appropriate resolutions because these resolutions setting up the trust funds have to be included as part of the budget package and as part of his developing those resolutions he should take what was originally submitted by the School District and incorporate a lot of the suggestions that this committee made at its December meeting, so you'd have a good working document to go to the full Board and you can decide alright...do we like what changes have been made, do we want to make more changes and do we want to fund it. Then the School District is in a position to respond for something other than on a piece meal basis.

Alderman Osborne stated a question for Mr. Donovan...why five?

School Committee Member Donovan replied because these were identified by members of the School Board as areas of concern. We can't have one fund and then use it for different purposes. We're limited to having specific funds for specific purposes. So, there were five separate purposes that were identified as being ones where they thought there was some need.

Alderman Osborne asked what would those be?

School Committee Member Donovan replied the first is health insurance because we self-insure up to \$100,000...there can be variants in what we pay each year. The second is special education expense. We have an unusual number of children or a single child with very large expenditures that can throw our budget out of whack. Another is for facilities maintenance and repair...obviously, we need to do a better job and you'll be hearing this more from us as part of our budget presentation. We want to do a better job of being good stewards of our buildings. The fourth is the capital reserve fund and Mr. Sanders can help me better on that.

Mr. Sanders stated that would be a mechanism for us to fund for capital assets at purchases over the years be it to replace boilers or do other fixed asset type of investments. Right now, we don't have a mechanism to do that expect through our normal general fund operating budget. We were hoping that through a capital reserve or a capital projects fund we'd be able to fund our future fixed assets.

School Committee Member Donovan stated the last one is school athletic equipment.

Alderman Osborne asked how much do you intend, what percentage do you intend on putting into each one of these?

Mr. Sanders replied our proposal was in the first two: health and special education \$50,000...we're hoping to start funding this year from any surplus we had up to a maximum of \$175,000. The first two categories have \$50,000 each and the last each having \$25,000 each.

Alderman Osborne stated this would come out of your budget at the end of the year, you could do it then.

Mr. Sanders replied for this year yes. To some extent that depends on what your resolution is. Our proposal is we were going to build it into our own budget for the next year and you'd give us a bottom line appropriation and we were going to work it into our appropriation in the coming years.

Alderman Guinta stated you're not looking to do this for the current fiscal year.

School Committee Member Donovan replied actually we are because we're hoping, we're not looking for any new appropriation from you. We're saying if we have a surplus this year we would like the opportunity this year to put as much as \$175,000 into that fund.

Alderman Guinta stated and then next year and year's after you would work it into your budget request.

School Committee Member Donovan replied yes.

Alderman Guinta asked do you have an idea...maybe you've already gone over this and I apologize for the question if you have, what's your end goal. Do you have a certain number of years that you'd like to get to a certain level?

School Committee Member Donovan replied we've penciled in for our next year's budget...we're still working on it, \$175,000 for next year's budget. We're hoping that at some point we'd like to have \$500,000 in the health, special education funds that would be our goal.

Alderman Guinta stated and then less for the other three.

School Committee Member Donovan replied yes.

Alderman Guinta stated \$250,000 for the other three.

Mr. Sanders replied the athletic fund would probably not even require that much money.

Alderman Guinta stated \$100,000 for that one.

Mr. Sanders replied yes something like that.

Alderman Guinta stated and perhaps \$250,000 for the other two.

Mr. Sanders replied yes.

Alderman Guinta stated you're looking to do this over five to ten years.

Mr. Sanders replied yes, I would say between five and ten years.

Alderman Guinta stated it sounds like you're anticipating fund balances.

Mr. Sanders replied yes, thank you, we're in the surplus business.

Alderman Guinta asked what are we looking at for an estimated surplus at this point?

School Committee Member Donovan replied when we reviewed our January results at our last Finance Committee meeting we showed an expected fund balance at the end of the year...setting aside monies for Expendable Trusts. We're already budgeting in hopes that this will be approved and would be somewhere in the vicinity of \$200,000 to \$250,000.

Alderman Guinta asked what's the plan with the remaining...if we do \$175,000, what do you do with the rest of the surplus?

Mr. Sanders replied the \$250,000 that I just quoted...if we don't have an unusual event or anything the \$250,000 would go back to the City.

Alderman Guinta stated and out of that you're looking for \$175,000.

Mr. Sanders replied we've already taken out the \$175,000 to get to the \$250,000.

Alderman Guinta stated so it's \$250,000 plus \$175,000.

Mr. Sanders stated that was as of January and things could change.

Alderman Guinta stated I don't want to get off track and I can see why you want to do it, Tom, but I don't know yet how I personally feel about it. One thing and I don't think you have the answer now, so maybe I can get the answer at some point

in the next couple of weeks...how many new appropriations were made during this fiscal year that were not in the initial appropriations or budget requests...I don't know if that's clear. When we talk in the beginning of the year about what you're budget is going to be, you give us a pretty detailed list. What I'm wondering is how that picture, the beginning of the year looks compared to the end of the year...if all of the programs that you talked about in the beginning of the year were funded or whether they were different or new programs that were funded that were created...I don't know, you probably don't have that answer today, but when this goes to the full Board I'd like to kind of get a larger picture, so maybe either you or you could have someone get that to me I'd appreciate it.

Alderman Roy stated my first question would be for Kevin. First of all would these be interest bearing accounts?

Mr. Clougherty replied these are accounting entries at the end of the year...all of the dollars are invested, but these are not bank accounts that you're establishing.

Alderman Roy stated similar to our Rainy Day fund, almost identical.

Mr. Clougherty stated all the cash that they have is invested on a regular basis.

Alderman Roy stated a clarification for Tom. This would be something that would be a line item in future budget or would it be like ours where it's to save money and fund the balance.

Mr. Clougherty stated the two things...I think they're trying initially over the first five years to grow it so that there will be an appropriation to the extent that it's necessary and not developing the fund balance. I think the goal is to always have it through fund balance but they're going to try to do a dual approach on that and Tom has a good idea on these...there's an involvement of the Trustees of Trust Funds, so those dollars are actually outside of the control of the School Board, it goes and it's held by the Trust Fund and invested by that body.

Alderman Roy stated that you've mentioned a couple of times that we've received input from our hired professionals...consultants and auditors that this is the direction to go. Do you feel comfortable with that?

Mr. Clougherty replied yes, I do and I would argue more aggressively than they have. I think you should try to do it over five years rather than over ten years because if you can get them built up then they're earning interest and it's going to cost you less in the long run, so I think the more aggressive posture would be given all the factors like the tax rate and everything else could be worked out, I

think a more aggressive approach is the better approach. We've been talking about this for a long time now.

Alderman DeVries stated first of all I would want to go on record that I think this is a very prudent management move to make. Not only does it offer you the cushion but it prevents budgeting for worse case scenarios meaning that it would prevent some of those high peaks because especially with special education where you can be hit so unexpectedly to fall back on will prevent you going into a year thinking that you automatically have to budget for those worse case scenarios. On the City side, Kevin, the mechanism to fund these is not depended upon the whims of the budget, is that correct?

Mr. Clougherty replied we really work...as you know, Alderman, to create a fund balance and to get these things going but again we have the benefit of having had ours in position for a long time and initially we took this similar approach.

Alderman DeVries stated I'm curious then why you're recommending that this be held off until it is budget time for the School Department when it is more to whims of the budget than to establish it and to allow them to fund it with this year-end surplus.

Mr. Clougherty stated I'm not necessarily asking that it be held off on the budget. I think that the Finance Committee is the appropriate body to be talking about all of these things. We've already had a couple of meetings on this, there have been some good suggestions on mechanics of how they should work. For example, the votes and how the money will come out, the Trust Funds, the uses of the Trustees of Trust Funds...I think those suggestions should be incorporated into what came over from the School Department and the Mayor should take those resolutions and as part of the budget process the Committee on Finance should be looking at that. One, the School Board...if you put yourself in their shoes...if I came to the Board of Mayor and Aldermen and said alright I need a vote and I'm taking it to another body and that other body...a committee of that body sends me back with some changes and you incorporate those changes and then it goes back to the full Board and then they have other changes it's not the cleanest way for this to work. It's better if you have the full Boards recommending something and I think that's best done in the budget process. Especially since in the second year they're looking for an appropriation and that's going to be important, so I'm not waiting for them to be adopted. There's nothing that says these resolutions have to be adopted on the same schedule, but I think initially getting it into that process gets the full Board to think about it on a broader scale, it requires the Mayor...and, again it's the Mayor and the budget process and under the Charter it's the Mayor that develops the resolutions to develop those documents and incorporate some of these ideas. I think that's a better starting point on our side.

Alderman DeVries stated so you are recommending that they do go forward with the process and do look to use part of their surplus this year to initiate the fund and have it be part of next year's budget as well.

Mr. Clougherty replied that's right.

Alderman Guinta stated I know there's a motion that's going to be made and I kind of want to give my quick take on this right now. I think it appears to make sense right now, Kevin, and it's certainly a laudable goal, I'm not going to vote at this point because I want to have a broader financial picture at the Finance Committee meeting. So, while I'm going to vote against this now, I don't want to necessarily box ourselves in, I may change my position down the road. Essentially, I am going to need a little more research so I wanted to give you a quick explanation before the vote's taken.

Mr. Clougherty stated I think that's why if it goes to the Finance Committee it's more appropriate to have that financial discussion with the full Board so that everybody can get their say, so at this point you're saying conceptually we want to move it forward but we know there is some detail and ask the Mayor to put together some of those details so far so that we have a better starting point.

Alderman Osborne stated we're just moving this to Finance anyway.

Alderman Shea moved that the Board of Mayor and Aldermen request the Mayor to include appropriate resolutions in his budget presentation for referral to the Committee on Finance for further consideration, and with the intent that same will be referred to public hearing with the School District and other budget resolutions. Alderman Osborne duly seconded the motion. The motion carried with Alderman Guinta duly recorded in opposition.

Chairman Smith addressed item 4 of the agenda:

4. Communication from Fire Chief Kane submitting a proposed Alarm Box ordinance amendment.

On motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted that Ordinance:

“An Ordinance amending Section 92.24 Tampering with Alarm Boxes by establishing an initial and annual renewal fee for persons authorized under the Fire Department Listed Agent Program.:

be approved and recommending same be referred to the Committee on Bills on Second Reading for technical review.

Chairman Smith addressed item 5 of the agenda:

5. Communication from Frank Thomas, Public Works Director, advising of a projected budget shortfall of \$273,319 in FY '04 in line item #0228 (City Contributory Retirement System).

Alderman Osborne moved for discussion. Alderman Shea duly seconded the motion. There being none opposed, the motion carried.

Mr. Thomas stated this letter was written in December before the winter; that line item for City Retirement was under funded in my operating budget as noted in my correspondence we were funded at a level of \$282,000 and we were billed \$556,000 out of that line item leaving that line item to be in a deficit of \$273,000. I wanted to put the Board of Mayor and Aldermen on notice in December before the winter season that if the Highway Department or the City experienced a normal winter I probably would have been forced to come to the Board of Mayor and Aldermen and tell the Board I would not be able to live within the budget; that was the purpose of this correspondence. As you know, the winter so far has been very agreeable to this budget deficit problem that I had and it's potential now that I will be able to live within my budget even with this shortfall in that line item. Moving ahead to FY '05 we see there might be a larger percentage increase in my budget...keep in mind that part of the percent is to cover this deficit of the City Retirement.

Alderman Guinta asked who makes the notification to you, Frank?

Mr. Thomas replied this is what I call one of the benefit line items...we're basically told what is to go into those line items. We don't have any input into them at all. Benefits including the retirement number that's given to us we have no control over.

Alderman Guinta stated those numbers come from where...walk me through the process, I think I understand it, but...

Mr. Clougherty stated first of all the number comes from the Retirement Board and under State law it's required to be set by an actuary. The Pension System gets an actuary to develop a report, the report says what the City's contribution is going to be and then they submit that to the Mayor as part of the budget process.

Alderman Guinta interjected and then the Mayor distributes that throughout the departments.

Mr. Clougherty stated yes and then it goes on to consideration in the city budget. You will recall this year that one of the things that the Board agreed was that we're not going to fund that number because it was higher than in the past and we're going to try and work it, manage our way through the year by having departments live with it and I think that Frank was trying to get on the record prudently to let us know early on what was happening. We've been lucky, we've been fortunate the budget's performing and we'll talk a little bit about that in later items.

Alderman Guinta stated so the Retirement Board notified...

Mr. Clougherty stated the Retirement Board sends a letter to the City and then it's incorporated in to the Mayor's budget.

Alderman Guinta stated the Finance Department then...

Mr. Clougherty stated the Finance Department pro rates it based on experience, based on membership.

Alderman Guinta stated which is why you then see your line item reduced.

Mr. Thomas stated that is correct. As Kevin mentioned the actual number that was distributed was higher than projected, the budget was basically completed at the time so we had to live with what was allocated prior to the final number.

Mr. Clougherty stated one of the problems of this is that the actuary process at the Retirement System...the Trustees have always taken the position that they'd have to get an actuarial number to give to the budget. Now, at the State and you're probably familiar with the way they do it there which is an estimated number and what they do at the State is they work out a five-year estimate...some years it's a little low but it tends to smooth where here we've always had the actuarially established number. I think there's a lot of discussion going on with the Trustees now and with the new actuary having been hired that we're going to...maybe not for this year, but maybe for subsequent years move more to the way the State does it with an estimated number so that it is always going to be provided early on in the process and if your estimate is...if there's a drop in the stocks and you have to make it up you can make it up over time and gradually nobody is going to see whipsaw types of things we've seen in the past. There hasn't been an acceptance of that by the Trustees, but with some turnover on the Board and with some recognition of things that are being presented by this new actuary I think we're

going to get to a better process and that should relieve some of these problems in the future.

Alderman Shea asked, Kevin, are there any other departments that might have any problems like Frank's.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to receive and file the communication from the Public Works Director.

Chairman Smith addressed item 6 of the agenda:

6. Communication from Kevin Buckley, Internal Audit Manager, submitting an audit status update and other business.

Alderman Osborne moved for discussion. Alderman Shea duly seconded the motion. There being none opposed, the motion carried.

Alderman Smith stated I'd just like to bring up on page 7 the labor contract as you well know they reduced the hours and start overtime four hours less each year, so the overtime is going to be greater.

Mr. Buckley stated but you're going to notice an increase in overtime this next year because of contractual obligations.

Alderman Guinta stated I think it's important for us to try to come up with some sort of solution now and I'm happy to work...and I think everyone on this Committee is happy to work with the Fire Chief and your office because that four hours is going to make a huge difference when it comes to the budget and if you look at how many hours of overtime they worked prior to under the labor force agreement FY '03 and it was a million dollars and that was over 40 hours, then it was reduced to 38 hours and now it's going to be 34, so we're really in for a financial impact.

Mr. Buckley stated under a normal year it's \$800,000 in overtime.

Alderman Guinta stated at this point, a normal year is \$800,000...I don't know what the calculation is if you project a normal year given the new labor contract it's going to be exceedingly higher than \$800,000, I don't know if could even double. We could be looking at...certainly, it's going to be over a million and it could reach \$1.5, \$1.7 million here...this is an issue that we really have to address if we're going to want to keep the tax rate at a reasonable rate.

Mr. Buckley stated we also have another fire station...16 people who are going to be taking overtime and you may want to increase the amount of floaters of the other firemen available to cover this because you have the new station. I think they were pretty low on their ratio of amount of coverage to new firemen anyway, so you may want to raise it up just because of that.

On motion of Alderman Shea, duly seconded by Alderman Guinta, it was voted to receive and file the audit status update and other business.

Chairman Smith addressed items 7 & 8 of the agenda:

7. Communication from Guy Beloin, Financial Analyst II, submitting the City's Monthly Financial Statements for the seven months ended January 31, 2004.
8. Communication from Guy Beloin, Financial Analyst II, submitting the City's Quarterly Financial Statements for the six months ended December 31, 2003.

Mr. Clougherty stated Mr. Beloin is on much deserved vacation this week...just for clarification you're receiving a number of financial reports tonight...Item 7 is the monthly reports ending January 31st, so these are the most current numbers I'm going to talk about...subsequent items are quarterly reports that are through December, but this is the most current, so I just want to make that point. If you take a look at the first page it talks a little bit about the comparison between this year and last year for expenditures. It's the tabled entitled "Budget Vs. Actual Expenditures General Fund by Department Ended January 31, 2004"...now, if you take a look at four columns over the fiscal year percent unobligated...you'll see that we're almost halfway through the year and most of the departments are at about a 40% level in terms of their balances and many are higher than that 47-48%. Some of them if we just go down, for example, that are extremely lower you'll see that Finance is at 27% and what happens there is we're doing activities that are for the Airport and other departments (Water) that we haven't billed them out yet, so it's coming out of my budget but I'll get reimbursed...also, you can take a look at the numbers that are included for Elderly Services which is mainly their rent, Info Systems are mainly contracts, Public Building Services again most of their budget has been encumbered early in the year and that is why their percentages are low. If you compare that fourth column to the last column you can see that what we've got this current end of January versus the departments at last year are pretty comparable, it's about a one percent (1%) difference; that one percent difference is really that we've charged this year all of the departments for

their retirement rather than last year having it built in over time. So, if you take that into consideration we're almost (not on every department)...but bottom line, we're really close to where we have been for each of the departments going forward and I think that's a good sign because if you remember that last year we were able to create over a \$2.5 million fund balance from the departments because the expenditures were well-managed, so the departments have done a good job, they knew they had to make up their retirement, it looks like their on track and that's a good sign particularly given the weather conditions. So, we feel good about the expense side and if you go down and look at some of the other items with respect to health insurance and worker's comp we're actually faring better than we did last year. We've got 35%, in some circumstances, last year we had 43% left versus 35% and again that's a product of the timing of some of these entries. If you go to the next page and take a look at your contingency as of the end of January 39% of the budget is not obligated whereas at this time last year 40% was unobligated. So, we're tracking pretty close and last year was a reasonably good year, so we expect that we should be able to...from the expenditure side...do fairly well. So, we're not overly concerned with anybody at this point. We have not heard from the departments other than the letter from Frank which he had voiced back in November his concerns but most of the departments that we're talking to seem to be able to weather the balance of the year. There's not any real emergencies like we've seen in the past with Welfare or whatever, so we think at this point so far, so good and knock on wood. If you go to a couple of pages back...page 6 which is a similar report for revenue...if you take a look at that program entitled "Budget Versus Actual Revenue by Type for the General Fund" you can see what it gives as the actual collections through the period FY '03 versus '04 and if you look at that fourth column at the bottom line total you'll 7.59%...what that means is that this year's budget, the fiscal year '04 budget...the revenues, the non property tax revenues were budgeted at 7.5% more than the actual money that we took in for fiscal year '03 and that maybe because in '03 didn't perform as well and we've got a little bit of growth there. So, you have to hit a 7.5% and if you look over at the last column you can see right now that you're at about 3%. Now, if you look at this report for last month you're at 1%...what's happening is as you go through you will recall as we turn the corner at the end of the first six months traditionally what happens is we start to see the revenues coming in better. A very critical number for us is going to be the February financials and it's mainly because what you're going to have to take a look at is your auto registrations. If Washington's Birthday sales and some of those things perform the way they have in the past then that 3% should jump up considerably. If for some reason it doesn't then we're going to have to take a look at where we are and maybe have to review our spending. But, again, our spending is in good shape, these revenues are coming along and we have our Tax Stabilization fund so there are a lot of things in our favor this year that we haven't had in the past. But, I will remind you at this point you're at about 3% out of the

7.5% and growing. The trend is going up from one to three and if we keep going at that rate we should be fine. We expect that part of the problem that you see that's not growing as fast this year is the January and the end of December have been extremely cold months and what happens traditionally when that occurs is you don't see people running down to get the permit to put their improvement on in the spring, they'll wait and that'll come on a little bit later. So, February is going to be a key month because it's been mild and we hope we'll see some changes in that but it's something that we'll be looking at and we'll be reporting that to you in the next couple of weeks. But, overall given that we feel that we're not in a situation where we need to make any adjustments or recommend to the Board any adjustments at this time. We're a little concerned about the revenues, but again we understand there are some reasons why they're not reported higher here...some of that is timing, some of that is weather related and we expect that that's going to grow in the next month.

On motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted to receive and file the City's Monthly Financial Statements for the seven months ended January 31, 2004 and the City's Quarterly Financial Statements for the six months ended December 31, 2003.

Chairman Smith addressed item 9 of the agenda:

9. Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:
 - a) department legend;
 - b) open invoice report over 90 days by fund;
 - c) open invoice report all invoices for interdepartmental billings only;
 - d) open invoice report all invoices due from the School Dept. only;
 - e) listing of invoices submitted to City Solicitor for legal determination; and
 - f) accounts receivable summary.

Alderman Osborne moved to discussion. Alderman Shea duly seconded the motion. There being none opposed, the motion carried.

Ms. Wickens stated these are the normal reports we send to you every month. I have been getting visits from Alderman Smith and I'm very encouraged and trying to tackle some of these outstanding collections and together we kind of decided we were going to have some departments come in and just talk about some of the collections that seem to be hanging out there and the first department that we decided to call in would be the Police Department because I know that Alderman Smith has been looking at the reports that the insurance companies get and was

concerned that there's quite a few of them still out there. We do have somebody from the Police Department here today, I didn't know if you want to talk with him.

Chairman Smith replied yes, please. Would you please state your names for the record.

Deputy Chief Gary Simmons and Steve Hoeft, Business Service Manager.

Chairman Smith stated what I'd like to address if I may, we have about 32 individual insurance companies that owe you money for various accident reports and were wondering if we possibly can on some type of arrangement, if we could get the money up front. If an insurance carrier comes to your office, if they want an accident report or a detailed report of an accident that they have to pay up front to receive that report. I don't know what the situation would make for you.

Deputy Chief Simmons stated we've actually discussed that. On a regular basis, as you know, insurance companies come in and ask for reports relative to...actually, most of it is through correspondence by mail in particular for accidents or any criminal mischief or damage done to their clients property. Last year there was approximately...just for auto accidents alone there was over 2,000 accident reports requested. I'd say we've collected the majority of that, in fact, I believe in a 90-day fund we only have outstanding a very small amount for just accident reports alone at this point. On a regular basis, most of those companies are very well-established, we submit bills regularly and for the most part I'd have to say that we collect that money on a regular basis. It's worked out very well, we certainly understand your concerns and we'd certainly be willing to look, scrutinize a little more any particular company that's allowing their billing to go on a little longer than normal and maybe take on that type of responsibility with that particular company on a regular basis so I think each company for the most part does pay their bills in a rather timely fashion and I think it works out rather well in that case.

Alderman Osborne asked what are the accident reports now \$5.00?

Deputy Chief Simmons replied right now, I believe we just changed the ordinance, I believe it might be \$10.00 for the first page and I think it's \$1.00 for each additional page.

Alderman Osborne stated you said you had 2,000 insurance companies.

Deputy Chief Simmons stated 2,288 traffic accident reports that...

Alderman Osborne asked what does that bring you?

Deputy Chief Simmons stated we showed approximately \$35,000.

Alderman Osborne asked how much did you collect?

Deputy Chief Simmons replied from what we understand all except for \$199.

Alderman Osborne stated so the ratio is pretty good, they do pay.

Chairman Smith in reference to Police Extra Detail stated this is another pet with me because these companies are still in existence, they work for various other agencies in the City and they owe money for Extra Police Detail...I'm talking about construction companies right now and some of them are very prominent in the City and these are over 90 days and I can't understand why we can't incorporate like work release with the Highway Department and just say that we will not issue a construction permit for you to dig out in the street unless you pay your Police Detail and there are several companies here that are still doing business that are out there on a daily basis, I would say.

Deputy Chief Simmons stated that is correct and we would certainly be willing to address that, we've actually taken action like that in the past, I believe and we'll continue with that. There certainly are some here that as you know are well-known companies. Some of those, I believe, have actually gone to collections if I'm not mistaken.

Alderman Shea asked didn't Tom Clark or Tom Arnold...did he indicate that he was going to meet with you to try to work out something for this committee, I thought that...wasn't there something that Tom Arnold was going to do something in terms of trying to come up with some sort of a policy/resolution...particularly in the sense that somebody owns a business and they don't pay a fee and then they come in, they change the name of the company and then they get another permit or something like that, wasn't there some discussion about that?

Ms. Wickens replied I know we had some discussion on that, I thought that Tom was going to sit with me and somebody from the Police Department on...and we were going to tackle one department at a time and it was to try and get some of these traffic reports that are ordered by insurance companies paid.

Mr. Clougherty stated one of the things...getting back to your point about the insurance reports...we've had a discussion in the past where we feel that's an internet application made in heaven and certainly having them come in, access the information and pay for it is perhaps something that is potentially the way we should be going...it might make their lives easier and it might make the whole

process work smoother. You may recall that that was one of the audit recommendations we've been talking about and has been referred to the Committee on Administration, I believe and we were going to have a presentation at the last meeting of the Committee on Administration from one of the banks about the mechanics of how that might work; that didn't happen at the last meeting because they ran out of time and it's rescheduled for the next meeting. So, this committee might want to pay attention to the agenda for the Committee on Administration because at the next meeting we will have them back to make the presentation on these internet business applications and that might be part of the solution to some of these things in the future. If you want I can ask the Clerk to have the committee notified of that presentation so you can be available.

Chairman Smith asked any other questions of the Deputy Chief. Thank you very much, we certainly appreciate your coming here and any ideas you might give us and so forth to incorporate payment I'd certainly appreciate it because we're owed about \$2 million with accounts receivable over 90 days.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to receive and file the reports as submitted by Sharon Wickens.

Chairman Smith addressed item 10 of the agenda:

10. Communication from Sharon Wickens, Financial Analyst II, submitting the 2nd quarter FY2004 write-off list for the accounts receivable module.

Ms. Wickens stated actually we've been doing really well this year, I write-offs have been a couple of thousand dollars...this one is really high (\$13,000) because of Mark Fava who was a Police Officer back in the late 80's that was hired, they paid for his training and I guess the Police Department said we'll pay for your training but you need to stay with us for a while and he didn't. So, he had to pay back the City for training. The City took him to court (1) got a judgment against him...he was paying some really small amount like \$20-25 a month for probably a year or two and then he just disappeared. The City Solicitor's Office has tried to find him, they thought they might have found him finally in California...it was a totally different guy. At this point, we can't find him and this receivable is really old and I've been asked about it, this is the second year I've been asked about it from our audit, it's just getting worse and worse as time goes on, I don't want to forget about it and neither does Tom but he will keep pursuing it, but at this point it just doesn't look like we can find him.

Alderman Osborne asked what methods of pursuit do we have, who tried to collect it?

Ms. Wickens replied it was our Solicitor's Office. I actually wish Tom was here tonight so that he could have told you all of the steps that he followed. He did use some type of skip tracing and they thought they found someone...he was a police officer, he had the same name, it ended up being a totally different guy. But, I don't know the specifics about what they tried.

Mr. Clougherty stated of the \$13,000...\$11,000+ is the one item and my understanding is and if you adopt this item and it has to go back to being adopted by the full Board at the next meeting and at that point Tom or Tom Arnold would be here to answer questions, but I don't believe by writing off the invoices that anyway prohibits us from going after him if we should find him subsequently. So, if we thought that by writing off the invoices that would preclude us from if he shows up tomorrow pursuing him legally to get that; that is my understanding that that is not the case and we can get Tom to speak to that at the full Board meeting. But, at this point from an accounting standpoint it really is advisable that we take it off the books.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to recommend that the 2nd quarter FY2004 write-off list for the accounts receivable module be approved.

NEW BUSINESS

Board of Assessors Reports:

- 1) Update of Tax Base;
- 2) Status of Overlay;
- 3) Status of Outstanding Abatements; and
- 4) Status of Tax Appeals

Chairman Smith stated I appreciate this, I contacted the Assessor's Office on Friday asking them if they could be here at this meeting to make a little presentation since Accounts hadn't met for two months and Tom was very gracious to get the information to all of the Aldermen, I certainly appreciate it and we'll go from there.

Mr. Nichols stated what you have before you is the Assessor's report on the Tax Base, the Overlay, the Outstanding Abatements and the ones that we disposed of. Page 1 shows you what our beginning balance was, the amount being abated...in Superior Court and the local filings plus our new construction brings us to where we are right now as far as the tax base goes, but the \$5,325,887,400 is not what

you would set the tax rate on, if you went to page 34 of your report...if we were to set the tax rate right now you'd have to use the net valuation and that's because of the exemptions subtracted from total valuations gives you your net valuations.

Alderman Shea asked what is the final figure as of right now for the assessment?

Mr. Nichols replied right now you're at...this is the total tax base... \$5,325,887,400. But, if you were to set the tax rate right now you would have to use the net valuation because you have to subtract out your exemptions.

Alderman Shea asked that's what.

Mr. Nichols replied it's on page 34...\$5,189,393,600.

Alderman Shea asked could you explain why it's the figure it is. I think there are certain things listed here and I think the general public would like to know, Tom.

Mr. Nichols stated you take your total valuation and you subtract out your elderly exemptions, your disability and your blind...you have to subtract that and go onto a net tax base.

Alderman Shea asked what figure is that?

Mr. Nichols replied it's \$5,189,393,600.

Alderman Osborne asked what is the percentage of increase of new construction so far this year over last.

Mr. Nichols replied we won't know that until we start picking it up and that's going to be within the next couple of months.

Alderman Osborne asked what do you see?

Mr. Nichols replied we gave to the Mayor for the budget that we're going to pick up around \$30 million in new construction and we estimated the overlay right now as \$1 million, but that is subject to change.

Alderman Guinta asked what was the net valuation last year, do you recall?

Mr. Nichols replied I think we were at \$5.133 billion.

Chairman Smith stated maybe you can help me out on this. Regarding construction, do you have any idea between commercial and residential and last year what the percentage was in new construction.

Mr. Nichols replied not with me now, no. I can get that out to the committee if you needed it.

Chairman Smith replied no it's not necessary.

Alderman Forest stated I know you still have some abatements going on, could that change that net figure with those abatements because I know some of the abatements are either higher or lower.

Mr. Nichols replied yes they could. What we have outstanding right now...if you go to page 3 of the report it shows you that we \$158,756,800 outstanding right now in appeals. On 2002 we have \$145,186,500 and on local filings we have \$3,824,000...so, that would decrease the net tax base if we did them all at once. We don't know when we're going to get to them and they are being scheduled sometimes in January.

Alderman Shea stated you mentioned about the overlay...when will all of the people that have filed appeals...I know that in looking over this form some still go back to '01 and some '02, so when is the cutoff date for the committee up in Concord to award to not award these people these appeals for say '01...is it kind of like going to be extending into '05 or what.

Mr. Nichols stated the ones that have filed with the BTLA or Superior Court are open indefinitely until we settle them or they settle them. For this year...as soon as you got your tax bill last November until March 1st you have the right to appeal your taxes. After that it's deemed denied because it's not a timely filing. Now, between March 1st and July 3rd if they don't hear anything on their appeal they have a right to appeal to either the BTLA or Superior Court, they can file with both. So, between that time they have a right to appeal up there.

Alderman Shea asked how much do you have in the overlay...available right now...

Mr. Nichols replied \$1,603,253,900.

Alderman Shea asked are there any limits for these appeals, can the '01's be extended indefinitely or do they have to have a certain time limit.

Mr. Nichols stated they will be disposed of.

Alderman Shea asked disposed of before the end of this year or what?

Mr. Nichols replied I would assume so, yes. But, once again, I just want to reiterate that if you get your bill in November you have until March 1st to file with us...between March 1st and July 3rd if you don't hear anything I think that between July 3rd and September 3rd you have a right to file with the BTLA or Superior Court, not both of them only one.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to receive and file the reports of the Board of Assessors.

Mr. Nichols stated there is legislation out there...elderly exemptions, the disability and tax credits...so everyone should be aware that whatever the Aldermen do on this could affect the new construction that we're adding on could wipe it out. Just wanted to let you know.

Mr. Clougherty stated I think that's an important point because if you'll recall when we had the joint meeting with the School Board we talked about new assessed valuation in \$30 million gets you \$900,000 in the budget. So, if you do some of the exemptions that goes away, so you don't have that. More importantly, there's legislation in Concord this session that would potentially take telephone poles and utility property out of the base, that's a big number for the City of Manchester that's potentially another area where evaluations may go down which has budget implications going forward and that there's also some legislation, Tom, to talk about private schools getting tax exemptions. All these things taken independently sound good but when you add them up the potential fiscal impact could be huge and I think that's something that the Board is going to have to pay attention to as we get along in the budget process and we'll be giving you some information on that, I'm sure the Assessor's will be updating you on legislation, but at some point we may have to come to the Board and ask the Board to take a stand on some of that legislation in Concord and get on the record with respect to how it might impact our tax base.

Mr. Nichols stated Steve Tellier, Chairman of the Board of Assessors has been on this and he's been corresponding with the Mayor and hopefully he'll be in on March 2nd or March 9th to give you an update on everything.

TABLED ITEM

On motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted that item 11 be removed from the table for discussion.

11. Communication from Guy Beloin, Financial Analyst II, submitting the City's unaudited overtime trend reports for the general fund's three largest departments.
(Tabled 11/18/2003 pending further receipt of information from other major departments.)

Mr. Clougherty stated you may recall that the Board asked us to take a look at overtime, we gave you some reports that laid out a format for a regular overtime report and then you wanted Kevin to do his review of Fire to take it the next step. You can take it off the table...we'll be having a meeting and I'll ask Kevin to set up something with Alderman Guinta over the next couple of weeks and then let the other members know so we can look at some of the overtime issues that were raised tonight and if we need to come back we'll reformat a report and bring it to the next meeting.

On motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted that the Overtime Trend Reports be received and filed.

There being no further business to come before the Committee, on motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee